

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1468-01
Bill No.: HB 607
Subject: Taxation and Revenue - Income
Type: Original
Date: March 4, 2013

Bill Summary: This proposal would adjust Missouri personal income tax rates for inflation between 1931 and 2013.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	(\$2,454,931,000)	(\$2,454,931,000)	(\$2,454,931,000)
Total Estimated Net Effect on General Revenue Fund	(\$2,454,931,000)	(\$2,454,931,000)	(\$2,454,931,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Section 143.011, RSMo. Personal income tax:

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Joint Committee on Administrative Rules** assume that this proposal would not have a fiscal impact to their organization.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** did not respond to our request for information.

Officials from the **Department of Revenue (DOR)** assume this proposal would revise the current Missouri personal income tax rate table, and would reduce personal income tax revenue. DOR officials did not include any cost estimate for their organization (other than Information Technology expense) to implement this proposal, and **Oversight** assumes DOR could implement this proposal with existing resources.

DOR officials assume that implementing this proposal would have a fiscal impact of \$13,633 based on 504 hours of IT programming to make changes to DOR systems.

Oversight assumes OA-ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. Oversight assumes OA-ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA-ITSD (DOR) could request funding through the appropriation process.

ASSUMPTION (continued)

Officials from the **University of Missouri - Economic and Policy Analysis Research Center (EPARC)** assume this proposal would, if enacted, increase the size of the taxable income classes as they apply to the Missouri personal income tax table from \$1,000 increments to \$15,100 increments.

EPARC officials stated that their simulation of the fiscal impact of this proposal indicated that the proposed changes to the tax table would reduce personal income tax revenue from the baseline estimate of \$4,693.390 million to \$2,238.459 million, a reduction of \$2,454.931 million.

Oversight will use the EPARC estimate of fiscal impact and notes that the revised tax table would be implemented as of January 1, 2013. Oversight notes that the Department of Revenue could revise withholding tax tables, and individuals could adjust their quarterly estimated payments of personal income tax, but the income tax returns for 2013 would be filed beginning in January 2014, and Oversight will only include the estimated personal income tax revenue impact for this proposal for FY 2014, FY 2015, and FY 2016 in this fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
GENERAL REVENUE FUND			
<u>Revenue reduction - DOR</u>			
Personal income tax			
Section 143.011	<u>(\$2,454,931,000)</u>	<u>(\$2,454,931,000)</u>	<u>(\$2,454,931,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$2,454,931,000)</u>	<u>(\$2,454,931,000)</u>	<u>(\$2,454,931,000)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposal would adjust Missouri personal income tax rates for inflation between 1931 and 2013.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State
Joint Committee on Administrative Rules
Department of Revenue
University of Missouri - Economic and Policy Analysis Research Center

Not Responding:

Office of Administration - Division of Budget and Planning



Ross Strobe
Acting Director
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